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**Christine Joyce**

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**From:** Herman Kabakoff [herman@kabakoff.net]  
**Sent:** Wednesday, May 13, 2009 8:54 PM  
**To:** Board of Selectmen; Acton Public School Committee; Steve Ledoux; Bill Ryan  
**Cc:** Finance Committee  
**Subject:** Fincom Interim Point of View or The 97% Solution

To All Addressees,

Attached is a First Draft Interim Point of View regarding implementation of the FY2010 budget. The Finance Committee unanimously adopted this Interim Point of View during our meeting last night, Tues May 12. I believe that this document is self explanatory. The first paragraph is the motion that was passed. As the motion indicates, we invite your comments.

Regards,

Herman Kabakoff  
Chair  
Acton Finance Committee

5/14/2009

## Town of Acton Finance Committee

### Memorandum

To: Town of Acton Finance Committee  
From: Bill Mullin  
Date: May 11, 2009  
Re: **Interim “Point of View” with Respect to FY 2010 Budget or “The 97% Solution”**

#### Motion

I move that the Finance Committee adopt the following as a First Draft Interim Point of View with Respect to Budget Implementation for FY2010 budget and, further, that this document be transmitted to all relevant interested parties, as determined by the Chair, with an invitation to comment.

#### **FY 2010 Finance Committee Point of View with Respect to the 2010 Budget Implementation**

##### ***Background***

- ☐ This memorandum is intended to describe the FinCom’s Point of View with respect to *implementation* of the FY2010 Town and School Budgets.
- ☐ Our prior POV dealt with *planning* of the FY2010 Budgets.
- ☐ It is extraordinary that we would be offering a changed view so soon after the budgets were approved at Town Meeting, but it is testament to the speed of the decline in the financial picture at the State levels.
- ☐ As with prior FinCom Points of View, we invite comments back from the relevant operating boards and administrators.

##### ***The Driving Force Behind the Interim Point of View***

- ☐ State revenues are shockingly below expectations.
- ☐ Each month, it seems, the revenue prediction is lowered and then underachieved.
- ☐ Specifically, the April numbers, when most tax dollars are collected were way below budget.
- ☐ Experience tells us the following about the relationship between the economy, State revenue and local aid:
  - State revenues lag the overall economy. In other words, it takes a while after the overall economy declines for state revenue to decline.
  - Local aid cuts lag the decline in state revenues. In other words, it takes a while for Beacon Hill to cut local aid after a decline is already well under way.
  - On the other side of a “recovery”, a return to local aid funding levels lags the recovery. In other words, even if the economy turns around, it takes a while for Beacon Hill to return to the prior funding levels.

#### ***Point of View with Respect to Acton’s FY 2010 Budget Implementation or “The 97% Solution”***

It is the opinion of The Finance Committee that:

1. The operating entities should implement programs so as to operate at a level of 97% of the approved FY2010 budget. This program is called “The 97% Solution”.

2. By implementing The 97% Solution, the Town and Schools will be in a better position to weather the now inevitable cuts in local aid.
3. We do not know where, when and how local aid will be cut, but we are highly confident that it will be cut.
4. If no local aid cuts are made in the FY10 state budget, then the expenditures at 97% will allow for a flow through to free cash.
5. If local aid cuts are made, then we will be in a better position to deal with the need for cash in the subsequent years.
6. This plan is highly unusual, given the timing, but so too are the economic times in which we operate.
7. Although we recognize the pressure The 97% Solution puts on the operating groups, we also believe that with the amount of lead time given, that the effect on service delivery can be managed so as to minimize sharp reductions.
8. There is no free lunch. If service reductions are required to meet the 97% Solution targets, we believe that the balance has shifted toward reducing those service levels.
9. Finally, we greatly respect the hard work and challenges that are already before the operating entities and note clearly, that this Interim Point of View is a recommendation. Ultimately, the operating entities must make the hard choices of implementing any program of budget reduction in the full context of their strategic goals.